



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

October 2, 2002

INSPECTOR GENERAL INSTRUCTION 1400.537

SUBJECT: Repayment of Student Loan Program

References:

- a. DoD 1400.25-M, Chapter 500 "Classification, Pay and Allowances," Subchapter 537, Student Loan Repayment Plan.
- b. 5 U.S.C. 5 – Part III – Subpart A – Chapter 23 – Sec. 2301, Merit System Principles.
- c. 5 CFR Part 537, Repayment of Student Loans.
- d. DoD 7000.14-R, "Department of Defense Financial Management Regulation," Volume 8.

A. Purpose. This Instruction, in accordance with reference a, establishes an incentive program under which the Office of the Inspector General of the Department of Defense (OIG DoD) may agree to repay, by direct payment, all or part of any outstanding federally insured student loan or loans previously taken out by a candidate to whom an offer of employment has been made or any current OIG DoD employee. In exchange for such repayment, the candidate or employee must agree to complete no less than 3 years of service with the OIG DoD. See the Appendix.

B. Applicability and Exclusions

1. Repayment is limited to outstanding federally insured loans made by educational institutions, banks, or other private lenders (hereafter referred to as "loan holder"). Types of loans that qualify as eligible: Stafford Loans; Supplemental Loans; Plus Loans; Federal Consolidation Loans; Defense Loans (made before 7/1/72); National Direct Student Loans (made between 7/1/72 and 7/1/81); and Perkins Loans. The Office of Personnel Management (OPM) may revise as necessary.
2. The level or type of academic degree for which a student loan was obtained is not a consideration in determining eligibility.
3. Whether a degree, diploma, or certificate was earned is not a consideration in determining eligibility.
4. Part-time and Excepted Service employees (except Schedule C employees) may receive student loan repayment benefits.
5. The OIG DoD can use this incentive in conjunction with other recruitment and retention incentives.
6. A student loan repayment is not authorized for:

- a. Employees occupying positions that are excepted from the competitive service because of their confidential, policy-determining, policy-making, or policy advocating character (i.e., employees serving under Schedule C appointments).
- b. Employees who have reached agreement to accept a voluntary separation incentive.
- c. The Inspector General.
- d. Employees serving under time-limited appointments.
- e. Employees who have defaulted on their student loans.

C. Policy

1. The Inspector General of the DoD may approve student loan repayments for certain candidates to whom an offer of employment has been made, a current designated OIG DoD employee of unusually high or unique qualifications, or an employee that meets a special need of the OIG DoD. Candidates will be selected in accordance with merit principles, as affirmed in reference b. The OIG DoD will determine that in the absence of a student loan repayment, the identified candidate would decline a valid offer or a current employee would likely leave federal service.
2. The amount paid may be less than, but will not exceed:
 - a. \$6,000 for each employee in any one calendar year (repayment is included in the employee's gross income); or
 - b. An overall total of \$40,000 for each employee.
3. Employees must meet OIG DoD criteria for loan repayment.
4. The incentive is in addition to basic pay and any other form of compensation payable to the employee. The loan repayment amount will be considered as taxable wages to the employee and tax withholding will be made on a biweekly basis as appropriate.
5. The candidate/employee is required to meet the terms of the "OIG DoD Student Loan Repayment Services Agreement," in which the candidate/employee agrees to complete no less than 3 years of service. See the Appendix.

D. Responsibilities

1. The authority to approve repayment of student loans is delegated by the Secretary of Defense through and subject to the authority of the Inspector General of the DoD who has delegated final authority to the Director of the Office of Administration and Information Management (OA&IM), who exercises personnel appointing authority.
2. The Personnel and Security Directorate (PSD), OA&IM, is responsible for ensuring receipt of verification in writing from the loan holder that the employee has a qualifying, outstanding student loan, and will ensure that the justification for each student loan repayment incentive is documented.
3. The PSD, OA&IM, is responsible for authorizing repayments only under the terms, limitations, and conditions of the written service agreement signed by the employee.

4. The PSD, OA&IM, will document each student loan repayment benefit in accordance with reference c. Documentation shall include evidence of the outstanding loan amount to be paid under this Program.

5. The PSD, OA&IM, will provide a copy of the request and agreement to the Financial Management Directorate (FMD), OA&IM.

6. The employee must complete the designated period of service under the terms of the service agreement, which is subject to the debt collection process as outlined in reference d. (The Director, OA&IM, may waive the repayment of an employee's debt, in whole or in part, if it is determined that such repayment would be against equity and good conscience, or against the public interest.)

7. The Deputy Assistant Secretary of Defense (Civilian Personnel Policy) (DASD (CPP)) is responsible for the oversight and evaluation of the program throughout DoD.

E. Procedures for Loan Repayment Requests

1. For recruitment purposes, the OIG component must ensure the request:
 - a. Is submitted to the PSD, OA&IM, at least 10 working days before the selectee enters on duty.
 - b. Is based on the unique qualifications of the candidate or the special needs of the agency for the candidate's services that makes it essential to hire the candidate.
 - c. Indicates that in the absence of the student loan repayment, the candidate would likely not accept the OIG DoD position or a position within the Federal Government. A contract or letter of offer from a prospective employer outside of the Executive, Legislative, or Judicial branch of the Federal Government must be included.
 - d. Includes the proposed loan amount.
2. For retention purposes, the OIG component must ensure the request:
 - a. Is submitted to the PSD, OA&IM.
 - b. Is based on the unique qualifications of the employee, meets specific OIG DoD performance criteria and the special needs of the agency for the employee's services that makes it essential to retain the employee.
 - c. Indicates that the employee would be likely to leave the OIG DoD for a job outside the Federal Government in the absence of the student loan repayment; and include a written employment contract or letter of offer from a prospective employer outside of the Executive, Legislative, or Judicial branch of the Federal Government.
 - d. Describes the extent to which the employee's departure would negatively affect the OIG DoD ability to carry out an activity or perform a function that is essential to its mission.
 - e. Includes a description of recent efforts to recruit candidates and retain employees with similar qualifications; or a description of the difficulty that would be encountered, and the estimated length of time required to recruit a replacement for the employee.
 - f. Includes a statement as to whether the employee is serving under any other incentives, such as a Recruitment or Relocation Bonus Agreement.

- g. Includes proposed loan amount with FMD, OA&IM, certification of funds availability.
- h. Forward the package to the PSD, OA&IM.
- 3. The PSD, OA&IM, and Human Resources (HR) representative must:
 - a. Review the request and supporting documentation.
 - b. Recommend approval/disapproval to the Director, OA&IM, and notify the FMD, OA&IM, if the employee's repayment status changes.
 - c. Ensure that the selectee/employee signs the approved service agreement (see the Appendix).
 - d. Forward the approved service agreement to the Defense Finance and Accounting Service (DFAS) for payment.

F. Procedures for Loan Repayment

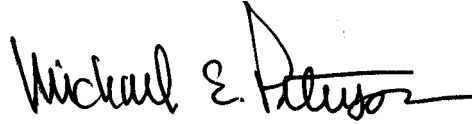
- 1. The DFAS will make payments to the loan holder on a biweekly basis. The DFAS will determine the amount to be paid by dividing the annual repayment amount by the number of pay periods in the year for which payments are made. This usually will be 26 payments per year, except for years having 27 pay periods. In those cases, 27 biweekly payments will be made. The loan repayment amount will be considered as taxable wages to the employee and tax withholding will be made on a biweekly basis as appropriate.
- 2. The DoD is not responsible for any late fees or penalties assessed by loan holders before, during, or subsequent to the student loan repayment.

G. Records Management

- 1. The PSD, OA&IM, will ensure that the justification for each student loan repayment incentive is documented and records maintained to include verification that the employee's outstanding student loan qualifies for repayment and contains the written determination of recipient eligibility in accordance with reference c.
- 2. Records maintained on a fiscal year basis will verify the number of employees receiving the loan repayment incentive, the job classification of each recipient, and the total cost of the student loan repayment incentive.
- 3. Upon request, the OIG DoD will provide the DoD with an annual fiscal year report. Further, the OIG DoD will provide the DASD(CPP) with a copy of OIG DoD implementing guidance.

4. All records pertaining to each employee's loan information must be retained and made available for review upon OPM's request. These records may be destroyed after 3 years or after OPM's formal evaluation of the OIG DoD Student Loan Repayment Program (whichever comes first).

FOR THE INSPECTOR GENERAL:

A handwritten signature in black ink, appearing to read "Michael E. Peterson", with a stylized flourish at the end.

**Michael E. Peterson
Acting Director
Office of Administration
and Information Management**

Appendix – a/s

APPENDIX

OIG DOD STUDENT LOAN REPAYMENT SERVICE AGREEMENT

Title 5 U.S.C. 5379 allows repayment of outstanding federally insured student loans made by educational institutions or banks and other private lenders. Student loan repayments are made directly to the lender subject to the conditions stated in this Agreement. Use of this authority in no way constitutes a right, promise, or entitlement for continued employment or noncompetitive conversion to the competitive service.

Conditions of Employment

The Office of the Inspector General of the Department of Defense (OIG DoD) agrees to provide a student loan repayment benefit to:

EMPLOYEE	SSN	POSITION

Subject to the conditions of employment stated in this Agreement.

Conditions of Loan Repayment

In accordance with 5 CFR 537.107(a), I agree to complete no less than three (3) years of service with the OIG DoD. My period of service begins on the date DFAS makes the first payment to the holder of my loan.

In return, the OIG DoD will make payments on my outstanding federally insured loan to:

(Lender's Name)

(Lender's Address)

REPAYMENT AMOUNT	YEARS	TOTAL

Increases or renewals made under this part, not to exceed \$6,000 each calendar year up to a lifetime total of \$40,000, may/may not be made without requiring a new Service Agreement. If increases or renewals are made, the Defense Finance and Accounting Service (DFAS) will be provided with a revised copy of this Agreement reflecting the amendments.

Loss of Eligibility for Loan Repayment Benefit

I understand I will no longer be eligible for the loan repayment incentive if I voluntarily end my employment with the OIG DoD am separated for reasons of misconduct or performance, fail to maintain a Outstanding performance rating (as defined by the OIG DoD), or in any way violate the terms of this Agreement.

Loan Repayment Procedures

The DFAS will make payments to the lender on a biweekly basis. The DFAS will determine the amount to be paid by dividing the annual repayment amount by the number of pay periods in the year for which payments are made. This usually will be 26 payments per year, except for years having 27 pay periods. In those cases, 27 biweekly payments will be made. The loan repayment amount will be considered as taxable wages and tax withholding will be made on a biweekly basis as appropriate. The OIG DoD is not responsible for any late fees or penalties assessed by the loan holder(s) before, during, or subsequent to this Agreement.

Reimbursement of Loan Repayment Benefit

I understand I will no longer be eligible for the loan repayment incentive if I voluntarily end my employment with the OIG DoD, am separated for reasons of misconduct or performance, fail to maintain a Highly Successful/Outstanding performance rating (as defined by the OIG DoD), or in any way violate the terms of this Agreement. If I leave the OIG DoD before I complete the period of service specified in this Agreement, I may be indebted to the Federal Government.

I AGREE THAT IF I FAIL TO COMPLETE ALL CONDITIONS IN THE SERVICE AGREEMENT, I WILL BE REQUIRED TO REIMBURSE THE OIG DOD FOR THE ENTIRE AMOUNT OF ALL LOAN REPAYMENTS CONSIDERED AS TAXABLE WAGES THAT HAVE BEEN MADE IN MY BEHALF.

Employee Signature

Date

I CERTIFY THAT I HAVE DISCUSSED THE CONDITIONS OF THE STUDENT LOAN REPAYMENT PROGRAM WITH THIS EMPLOYEE.

HR Representative's Signature

Date

This information is subject to the Privacy Act of 1974, as amended. 5 USC PART III, Subpart D, CHAPTER 53, SUBCHAPTER VII, Sec. 5379; 5 CFR Part 537, Repayment of Student Loans; DoD Directive 1400.25-M, Chapter 500, "Classification, Pay and Allowances, Subchapter 537, Student Loan Repayment Plan.